

FINANCIAL RELATED AUDIT
OF THE
USE OF TRANSPORTATION-RELATED FUNDING

October 1, 2000 through September 30, 2001



Michigan *Office of the Auditor General* REPORT SUMMARY

Financial Related Audit

Use of Transportation-Related Funding

Report Number:
07-629-03

Released:
April 2003

Act 271, P.A. 2000, requires State agencies that receive transportation-related funding for providing tax and fee collection and other services for transportation funds to contract with the Michigan Department of Transportation (MDOT). These agencies are also required to annually report the amount of funding contracted for, expended from, and returned to the transportation funds. The Office of the Auditor General is required to report to the Legislature on the charges to transportation funds by State agencies.

Background:

In fiscal year 2000-01, transportation-related funding was provided to the following State agencies: the Departments of State, Management and Budget (DMB), State Police, Civil Service, Career Development, Attorney General, Natural Resources (including Mackinac Island State Park Commission), Environmental Quality, and Treasury; the Michigan Economic Development Corporation; and the Office of the Auditor General.

Audit Objective: To determine the adequacy of the cost allocation methodologies used to identify transportation-related costs and the appropriateness of charges to transportation funds.

Audit Conclusion: We determined that all State agencies that received transportation funding and submitted annual reports had adequate cost allocation methodologies to identify transportation-related costs and had made appropriate charges to transportation funds.

However, our audit disclosed a reportable condition regarding cost allocation methodologies. MDOT had not developed detailed cost allocation methodologies to identify and equitably allocate departmental costs related to local units of government. In addition, two State agencies did not always follow appropriate cost allocation methodologies to ensure that transportation-related charges were billed to and reimbursed from the transportation funds that received the benefits of services provided by agencies. (Finding 1)

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Audit Objective: To determine whether unused transportation funds' appropriations were returned to the appropriate transportation fund.

Audit Conclusion: We determined that all the agencies had returned their unused transportation fund appropriations for fiscal year 2000-01 to the appropriate transportation fund.

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Audit Objective: To determine compliance with contractual and reporting requirements for transportation-related funding as prescribed by the appropriations acts.

Audit Conclusion: We determined that all State agencies reviewed had executed the required contracts with MDOT for fiscal year 2000-01.

However, our audit disclosed a reportable condition regarding proper reporting. DMB had not developed detailed procedures for State agencies to ensure proper and consistent annual reporting of charges to transportation funds. Also, DMB, in conjunction with MDOT, should submit amendatory boilerplate language to the Legislature to clarify annual reporting requirements. (Finding 2)

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/



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AUDITOR GENERAL

April 21, 2003

The Honorable Shirley Johnson, Chairperson
Senate Appropriations Committee
Michigan Senate
and
The Honorable Marc Shulman, Chairperson
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan

Dear Senator Johnson and Representative Shulman:

This is the financial related audit of the Use of Transportation-Related Funding by the Departments of State, Management and Budget, State Police, Civil Service, Career Development, Attorney General, Natural Resources (including Mackinac Island State Park Commission), Environmental Quality, Treasury, and Transportation; the Michigan Economic Development Corporation; and the Office of the Auditor General for the period October 1, 2000 through September 30, 2001, as required by Section 306, Act 271, P.A. 2000.

This report contains our report summary; description of funding requirements; audit objectives, audit scope, and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; detailed review comments by agency, a summary of annual reports of transportation-related funding used, and a summary of charges and transfers among transportation funds, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us by the departments reviewed during this audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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Description of Funding Requirements

Act 271, P.A. 2000, requires State agencies that receive transportation-related funding for providing tax and fee collection and other services for transportation funds to contract with the Michigan Department of Transportation. The contracts must include estimated costs to be recovered from transportation funds, a description of the services financed by transportation funds, and cost allocation methods and rationale for the portion of costs allocated to transportation funds. These agencies are also required to annually report the amount of funding contracted for, expended from, and returned to the transportation funds.

In fiscal year 2000-01, transportation-related funding was provided to the following 11 State agencies: the Departments of State, Management and Budget, State Police, Civil Service, Career Development, Attorney General, Natural Resources (including Mackinac Island State Park Commission), Environmental Quality, and Treasury; the Michigan Economic Development Corporation; and the Office of the Auditor General. These agencies accounted for \$74,678,586 of the \$1,007,333,207 in total transportation-related funding expended and the Michigan Department of Transportation accounted for \$932,654,621 in transfers among transportation funds during fiscal year 2000-01 (see the summary of annual reports of transportation-related funding used and the summary of charges and transfers among transportation funds, presented as supplemental information).

Audit Objectives, Audit Scope, and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our financial related audit* of the Use of Transportation-Related Funding had the following objectives:

1. To determine the adequacy of the cost allocation methodologies used to identify transportation-related costs and the appropriateness of charges to transportation funds.
2. To determine whether unused transportation funds' appropriations were returned to the appropriate transportation fund.
3. To determine compliance with contractual and reporting requirements for transportation-related funding as prescribed by the appropriations acts.

Audit Scope

Our audit was required by Section 306, Act 271, P.A. 2000. Our audit scope was to examine the financial and other records supporting transportation-related costs and charges to transportation funds for the period October 1, 2000 through September 30, 2001. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances, except that we were not independent in regards to the Office of the Auditor General.

In connection with our audit, we compiled supplemental information about the agencies' use of transportation-related funding based on information provided by the agencies and the Michigan Department of Transportation (MDOT). Our audit was not directed toward expressing an opinion on the supplemental information and, accordingly, we express no opinion on it.

* See glossary at end of report for definition.

Agency Responses and Prior Audit Follow-Up

Our audit report includes 2 findings and 4 recommendations. MDOT responded that it agrees with the recommendations addressed to it. The DMB Office of the State Budget responded that it would consider the recommendation addressed to DMB.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Management and Budget to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

One of 4 prior audit recommendations was compiled with, 1 was repeated, and 2 were rewritten for inclusion in this report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

COST ALLOCATION METHODOLOGIES AND TRANSPORTATION FUNDS' CHARGES

COMMENT

Audit Objective: To determine the adequacy of the cost allocation methodologies used to identify transportation-related costs and the appropriateness of charges to transportation funds.

Conclusion: We determined that all the State agencies that received transportation funding and submitted annual reports had adequate cost allocation methodologies to identify transportation-related costs and had made appropriate charges to transportation funds. However, our audit disclosed a reportable condition* regarding cost allocation methodologies (Finding 1). Our performance audit report entitled "Services Provided to Local Road Agencies" (59-132-01), issued in November 2001, also provides more detailed information related to Finding 1 of this audit report.

FINDING

1. Cost Allocation Methodologies

The Michigan Department of Transportation (MDOT) had not developed detailed cost allocation methodologies to identify and equitably allocate departmental costs related to local units of government. In addition, two State agencies did not always follow appropriate cost allocation methodologies to ensure that transportation-related charges were billed to and reimbursed from the transportation funds that received the benefits of services provided by agencies.

Section 505(2), Act 271, P.A. 2000, requires annual contracts between MDOT and agencies providing services applicable to transportation funds. The contracts shall include the estimated costs, description of services provided, and detailed cost

* See glossary at end of report for definition.

allocation methods that are appropriate to the types of services provided and supporting rationale for the portion of costs allocated to transportation funds.

We reviewed the adequacy of the cost allocation methodologies used and the appropriateness of the charges to the transportation funds for 12 agencies (see the detailed review comments by agency, presented as supplemental information). Our review noted:

- a. Our performance audit report entitled "Services Provided to Local Road Agencies" (59-132-01), issued November 2001, indicated that MDOT had not completed a cost allocation study that identifies all costs associated with activities directed at local units of government and identifies methods for the equitable allocation of all costs to the local units of government and the State Trunkline Fund. This report is available upon request or from our Web site at <<http://www.state.mi.us/audgen>>.
- b. The Michigan Department of State Police's (MSP's) contract with MDOT specified a cost allocation methodology based on an equal division of the Traffic Accident Records Program costs among MSP, MDOT, and the Department of State. However, the costs were not allocated equally, resulting in an undercharge to the State Trunkline Fund and an overcharge to the General Fund of \$59,550.
- c. The Department of Attorney General was reimbursed by the transportation funds based on the appropriated amounts in each fund rather than on the services provided to each transportation fund. MDOT's fiscal year 2000-01 appropriations did not provide the Department of Attorney General with a Comprehensive Transportation Fund interdepartmental grant; as a result, MDOT reimbursed the Department of Attorney General \$82,304 from the State Trunkline Fund for services that were provided on behalf of the Comprehensive Transportation Fund. Department of Attorney General accounting personnel informed us that they asked MDOT to process a budgetary transfer in the Michigan Administrative Information Network that would correct the interdepartmental grant funding allocation; however, MDOT declined the request because the Legislature had not appropriated funds from the Comprehensive Transportation Fund for the Department of Attorney General.

RECOMMENDATIONS

We recommend that MDOT develop detailed cost allocation methodologies to identify and equitably allocate departmental costs.

We also recommend that State agencies follow appropriate cost allocation methodologies to ensure that transportation-related charges are billed to and reimbursed from the appropriate transportation funds that received the benefits of services provided by agencies.

AGENCY PRELIMINARY RESPONSE

MDOT agrees with these recommendations. MDOT informed us that it completed a cost allocation study in fiscal year 2001-02. MDOT will compare the results of the study to the current allocation methodology to ensure equitable allocation of departmental costs by September 30, 2003.

To ensure that State agencies charge for only the services provided to the transportation funds, MDOT includes language in the memorandum of understanding that requires State agencies to have a cost allocation methodology in place and to submit detail supporting the fiscal year charges to the Department of Management and Budget (DMB) before April 1 of the subsequent fiscal year in accordance with Sections 504(2)(c) and 504(3) of MDOT's appropriation bill, respectively. MDOT will send a letter to each State agency reminding it of its responsibility to comply with the memorandum of understanding and follow the cost allocation methodology and support these changes appropriately.

The undercharge to the Comprehensive Transportation Fund and overcharge to the State Trunkline Fund related to Department of Attorney General expenditures were subsequently corrected in the grant from the Comprehensive Transportation Fund to the State Trunkline Fund. In fiscal year 2002-03 and 2003-04, the grant was adjusted to reflect what was estimated as the undercharge.

The undercharge by MSP was not corrected. MDOT will verify with MSP, in the future, to ensure that the transportation charges are accurate and request that DMB mediate any differences.

UNUSED TRANSPORTATION FUNDS' APPROPRIATIONS

COMMENT

Audit Objective: To determine whether unused transportation funds' appropriations were returned to the appropriate transportation fund.

Conclusion: We determined that all the State agencies had returned their unused transportation fund appropriations for fiscal year 2000-01 to the appropriate transportation fund (for amounts returned, see the detailed review comments by agency, presented as supplemental information).

We commend the agencies for their proper return of unused fiscal year 2000-01 transportation fund appropriations. We have no findings or recommendations for this audit objective.

CONTRACTUAL AND REPORTING REQUIREMENTS

COMMENT

Audit Objective: To determine compliance with contractual and reporting requirements for transportation-related funding as prescribed by the appropriations acts.

Conclusion: We determined that all State agencies reviewed had executed the required contracts with MDOT for fiscal year 2000-01. However, our audit disclosed a reportable condition regarding proper reporting (Finding 2).

FINDING

2. Proper Reporting

DMB had not developed detailed procedures for State agencies to ensure proper and consistent annual reporting of charges to transportation funds. Also, DMB, in conjunction with MDOT, should submit amendatory boilerplate language to the Legislature to clarify annual reporting requirements.

Section 505(4), Act 271, P.A. 2000, requires that each agency submit a written report to the State Budget Director and the Auditor General stating, by spending authorization account, the amount of estimated funds contracted with MDOT, the

amount of funds expended, and the amount of funds returned to the transportation funds.

In our review of the annual reports submitted by the 11 agencies, we noted that agencies did not consistently report their charges to the transportation funds:

- a. Six agencies did not include charges totaling \$1,348,920 on their annual reports that were reimbursed via expenditure credit or revenue debit. However, the 5 other agencies (Departments of Career Development, Attorney General, and Natural Resources; the Michigan Economic Development Corporation; and the Office of the Auditor General) included most of those charges on their annual reports. The 6 agencies and their corresponding charges were:

Agency	Comprehensive Transportation Fund	State Aeronautics Fund	State Trunkline Fund	Total
Department of Civil Service	\$ 19,117	\$ 10,786	\$ 524,031	\$ 553,934
MSP		76,909	368,389	445,298
DMB			255,455	255,455
Department of Treasury		1,170	44,075	45,245
Department of Environmental Quality			44,916	44,916
Department of State	12		4,059	4,072
Total	\$ 19,129	\$ 88,865	\$ 1,240,925	\$ 1,348,920

- b. Agencies did not utilize consistent methodologies for reporting the "amount of funds expended." Our review disclosed that some agencies reported fiscal year transportation-related expenditures but others reported the amount of funding received from MDOT as the "amount of funds expended." For instance, the Department of State reported the amount of funding received from MDOT, which included both current year expenditures and encumbrances, in accordance with DMB Administrative Guide procedure 1210.27, Attachment A. While this procedure allows for the transfer of funds from MDOT to include both current year expenditures and encumbrances, amounts received for encumbrances will not be expended until the following fiscal year when the encumbrance is liquidated by the State agency.

DMB needs to develop detailed reporting procedures to ensure that agencies are consistently and accurately reporting charges to the transportation funds.

In addition, agencies were not able to bill MDOT for all actual costs because the appropriations acts provided only a limited amount of funding from the transportation funds (underallocations). Our review disclosed that 4 agencies were underallocated during fiscal year 2000-01:

Agency	Comprehensive Transportation Fund	State Trunkline Fund	State Aeronautics Fund	Michigan Transportation Fund	Total
Department of State	\$	\$	\$	\$ 48,516,121	\$ 48,516,121
Office of the Auditor General		79,260		17,912	97,172
Department of Treasury				6,264,000*	6,264,000
DMB	35,935	1,792,800	30,855	501,105	2,360,695
Total	<u>\$ 35,935</u>	<u>\$ 1,872,060</u>	<u>\$ 30,855</u>	<u>\$ 55,299,138</u>	<u>\$ 57,237,988</u>

* Amount based on Department of Treasury estimate.

We recognize that the preceding underallocations occurred, in part, because agencies did not seek reimbursement in excess of the appropriated amounts. In recent fiscal years, the Legislature has limited transportation-related funding to certain agencies, thereby shifting costs previously charged to the transportation funds to the State's General Fund. As a result, transportation-related funding decreased for two agencies: the Department of State, by approximately \$43 million for each fiscal year from 1997-98 through fiscal year 2000-01, and the Department of Treasury, by approximately \$8,000,000 for both fiscal years 1999-2000 and 2000-01. Underallocations also occurred when agencies charged and collected transportation funds incorrectly because of errors in their allocation process or delays in obtaining accurate data.

Agencies did not include underallocations in their annual reports because Section 505(4), Act 271, P.A. 2000, did not require agencies to report transportation-related charges in excess of appropriations or MDOT contracts. However, we believe that such information may be beneficial to users of the annual reports (DMB, MDOT, and the Legislature). Therefore, DMB and MDOT should identify ways to improve the annual reporting format and submit amendatory boilerplate language to the Legislature.

RECOMMENDATIONS

WE AGAIN RECOMMEND THAT DMB DEVELOP DETAILED PROCEDURES FOR STATE AGENCIES TO ENSURE PROPER AND CONSISTENT ANNUAL REPORTING OF CHARGES TO TRANSPORTATION FUNDS.

We also recommend that DMB, in conjunction with MDOT, submit amendatory boilerplate language to the Legislature to clarify annual reporting requirements.

AGENCY PRELIMINARY RESPONSE

The DMB Office of the State Budget responded that it would consider the recommendations.

SUPPLEMENTAL INFORMATION

DEPARTMENT OF STATE
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

Services and Other Charges to the Transportation Funds	Contract Amount	Expended*	Returned
Michigan Transportation Fund			
Collection of taxes, fees, and other services			
Executive direction - Operations	\$ 552,000	\$ 527,141	\$ 24,859
Department services	15,922,300	15,560,383	361,917
Regulatory services	3,383,100	3,047,595	335,505
Customer delivery services	32,447,800	27,439,793	5,008,007
Departmentwide	2,599,000	2,541,862	57,138
Total	<u>\$ 54,904,200</u>	<u>\$ 49,116,774</u>	<u>\$ 5,787,426</u>

* The Department of State reported the amounts of funding received from the Michigan Transportation Fund, including funding received for encumbrances in accordance with Department of Management and Budget Administrative Guide procedure 1210.27, Attachment A.

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Department of State pursuant to Section 505, Act 271, P.A. 2000. The Department of State's charges to the Michigan Transportation Fund (MTF) were used to finance the collection of transportation taxes, fees, and other transportation-related services. The Department of State collected approximately \$831,625,876 of revenue credited to MTF in fiscal year 2000-01.

The Department of State's charges against MTF for the collection of transportation taxes, fees, and other transportation-related services were based on MTF's share of funding (funding ratio) of the appropriated expenditures. For example, the fiscal year 2000-01 appropriations for the Department of State's Executive direction - Operations totaled \$1,931,300, including \$552,000 (28.58%) from MTF. Total fiscal year 2000-01 Executive direction - Operations expenditures were \$1,844,326. Of this amount, the Department of State charged \$527,141 (28.58%) to MTF.

The Department of State retained an independent consulting firm to conduct time-and-effort cost studies. These studies serve as an after-the-fact analysis to determine the full cost of services provided by the Department of State and the appropriateness of MTF funding. For fiscal year 2000-01, the firm determined that the Department of State

should have charged MTF \$97,632,895 for the services provided. We reviewed the firm's supporting documentation and concluded that the documentation supports the firm's position. However, the Department of State did not charge MTF for the total expenditures allocable to MTF because it would have exceeded the appropriated amounts. Section 110, Act 276, P.A. 2000, established that funding from MTF should not exceed \$54,904,200. The Department of State obtained \$49,116,774. Consequently, there was an underallocation of charges of \$48,516,121. (See Finding 2 regarding the reporting of transportation-related costs that were not reimbursed by transportation funds.)

Unreported Miscellaneous Charges

The Department of State charged the Comprehensive Transportation Fund and the State Trunkline Fund for miscellaneous expenses of \$4,072 for services not anticipated or covered in the contract. (See Finding 2 regarding detailed procedures for reporting charges to transportation funds.)

DEPARTMENT OF MANAGEMENT AND BUDGET
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

<u>Services and Other Charges to the Transportation Funds</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Returned</u>
Comprehensive Transportation Fund			
Central services	\$ 50,200	\$ 50,200	\$ 0
MAIN user charges	85,400	85,400	0
Michigan Transportation Fund			
MAIN user charges	226,900	226,900	0
State Aeronautics Fund			
Central services	26,600	26,600	0
MAIN user charges	44,900	44,900	0
State Trunkline Fund			
Central services	889,500	889,500	0
MAIN user charges	1,511,200	1,511,200	0
Building occupancy charges	4,750,456	4,750,456	0
Total	<u>\$ 7,585,156</u>	<u>\$ 7,585,156</u>	<u>\$ 0</u>

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Department of Management and Budget (DMB) pursuant to Section 505, Act 271, P.A. 2000. DMB charged the transportation funds for central services, such as payroll, central audit, fixed assets accounting, space leasing services, mail and freight, purchasing, employer services, budgeting, and contract management; the Michigan Administrative Information Network's (MAIN's) development and operating costs; and operating costs of buildings used by transportation programs.

For these charges, DMB uses the Statewide Cost Allocation Plan* (SWCAP) to allocate expenditures to the transportation funds. This method allocates costs based on estimated expenditures and adjusts future allocations for the differences between estimates and actual expenditures. We conclude that the charges and cost allocation methodology were reasonable.

* See glossary at end of report for definition.

DMB did not bill the Michigan Department of Transportation (MDOT) for \$2,360,695 in transportation-related costs in fiscal year 2000-01 because the appropriations act provided only a limited amount of funding from the transportation funds. (See Finding 2 regarding the reporting of transportation-related costs that were not reimbursed by transportation funds.)

DMB also reported additional charges to the transportation funds for routine costs incurred by MDOT for State Employees' Retirement Services and services provided by DMB's internal service funds (State Sponsored Group Insurance Fund, Office Services Revolving Fund, Information Technology and Energy Fund, and Motor Transport Fund).

Our review disclosed that DMB understated Vehicle and Travel Services and Information Technology and Energy Fund charges by \$4,173,382 and \$76,458, respectively, because of accounting errors.

Unreported Miscellaneous Charges

DMB charged the State Trunkline Fund for miscellaneous expenses of \$255,455 for services not anticipated or covered in the contract. These charges related to a capital outlay project and bio-diesel fuel purchase. We reviewed these charges to the transportation funds and determined that they were appropriate. (See Finding 2 regarding detailed procedures for reporting charges to transportation funds.)

MICHIGAN DEPARTMENT OF STATE POLICE
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

<u>Services and Other Charges to the Transportation Funds</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Returned</u>
State Trunkline Fund			
Motor Carrier Division	\$ 6,243,304	\$ 5,588,507	\$ 654,797
Criminal Justice Information Center	<u>330,900</u>	<u>291,588</u>	<u>39,312</u>
Total	<u>\$ 6,574,204</u>	<u>\$ 5,880,095</u>	<u>\$ 694,109</u>

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Michigan Department of State Police (MSP) pursuant to Section 505, Act 271, P.A. 2000. MSP charged the State Trunkline Fund for the cost of services provided to the Michigan Department of Transportation (MDOT) by MSP's Motor Carrier Division and MSP's Criminal Justice Information Center (CJIC).

The Motor Carrier Division charged \$5,588,507 for enforcing State Trunkline Fund related regulations as well as other motor carrier regulations financed with motor carrier fees. These transportation funds were used to support 123 full-time equated employees who administered and enforced the Motor Carrier Division's programs and regulations. The Motor Carrier Division performed enforcement activities related to traffic safety, commercial vehicle regulations, and other activities conducted through weigh stations and road patrol. The Motor Carrier Division had a statistically based cost allocation methodology in place. We conclude that the cost allocation methodology for the Motor Carrier Division was reasonable.

CJIC charged \$291,588 for the salary and wage, retirement, insurance, and other related costs of personnel who directly supported the processing of traffic accident records. CJIC also provided software, mainframe processing, data keying equipment, and related services to maintain the traffic accident records database. MSP's contract with MDOT states that costs of the Traffic Accident Records Program will be allocated equally between the three State departments (MSP, MDOT, and the Department of State) that received and used data that it produced. However, we noted that the costs were not allocated equally, resulting in an undercharge to the State Trunkline Fund of

\$59,550. We conclude that, although the charges for CJIC were reasonable, the cost allocation methodology was not followed appropriately (see Finding 1).

Also, MSP included encumbrances in its reported charges to MTF. As a result, the Department of State overstated reported amounts expended by \$410,177. (See Finding 2 regarding detailed procedures for reporting charges to transportation funds.)

Unreported Miscellaneous Charges

MSP charged the State Aeronautics Fund and the State Trunkline Fund for miscellaneous expenses of \$445,298 for services not anticipated or covered in the contract. These charges were for items such as jet fuel, accident photographs, and additional patrols of construction zones. We judgmentally reviewed 6 of these charges to the transportation funds and determined that they were appropriate. We noted that these expenditures were not included in the annual report. (See Finding 2 regarding detailed procedures for reporting charges to transportation funds.)

DEPARTMENT OF CIVIL SERVICE
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

<u>Services and Other Charges to the Transportation Funds</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Returned</u>
Comprehensive Transportation Fund			
Constitutionally required 1% funding	\$ 81,187	\$ 81,187	\$ 0
State Aeronautics Fund			
Constitutionally required 1% funding	43,916	43,916	0
State Trunkline Fund			
Constitutionally required 1% funding	<u>1,865,387</u>	<u>1,865,387</u>	<u>0</u>
Total	<u>\$ 1,990,490</u>	<u>\$ 1,990,490</u>	<u>\$ 0</u>

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Department of Civil Service (DCS) pursuant to Section 505, Act 271, P.A. 2000. DCS charged the transportation funds \$1,990,490 for the constitutionally required 1% of the aggregate payroll associated with the transportation funds.

The primary funding for the operations of DCS is provided under Article XI of the State Constitution. Article XI, Section 5 of the State Constitution states: ". . . the legislature shall appropriate to the [civil service] commission for the ensuing fiscal year a sum not less than one percent of the aggregate payroll of the classified services for the preceding fiscal year. . . ."

Transportation funds were appropriated to DCS based on the executive budget request prepared by the Office of Budget Development and General Government, Department of Management and Budget, in conjunction with DCS's Budget and Financial Services.

For fiscal year 2000-01, DCS charges to transportation funds for the constitutionally required 1% were based on actual fiscal year 1999-2000 salary and fringe benefit expenditures charged to the transportation funds. We conclude that the charges and cost allocation methodology were reasonable.

Miscellaneous Charges Not Included in the Contract

The Michigan Department of Transportation incurred \$553,934 for training expenses provided by DCS. According to past financial budget and reporting practices, these services and related charges are not covered in the contract. DCS disclosed this charge in a footnote to its appropriation/fiscal analysis report, identifying the 1% charge of salaries for all departments Statewide. However, these charges were not included in the preceding annual report of transportation-related funding used. (See Finding 2 regarding detailed procedures for reporting charges to transportation funds.)

MICHIGAN DEPARTMENT OF CAREER DEVELOPMENT
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

<u>Services and Other Charges to the Transportation Funds</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Returned</u>
Comprehensive Transportation Fund			
Work First Initiatives Program	<u>\$ 2,126,933*</u>	<u>\$ 1,764,643</u>	<u>\$ 0</u>
Total	<u><u>\$ 2,126,933</u></u>	<u><u>\$ 1,764,643</u></u>	<u><u>\$ 0</u></u>

* The term of the contract runs from September 15, 1999 through December 31, 2001; thus, unused funds will not be returned until the ending date of the contract.

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Michigan Department of Career Development (MDCD) pursuant to Section 505, Act 271, P.A. 2000. MDCD charged \$1,764,643 to the Comprehensive Transportation Fund to administer the transportation program for Work First initiatives to help remove transportation as a barrier to employment for Work First participants. The charges were comprised of \$1,761,498 in direct grants to Michigan Works! agencies and \$3,145 for administrative costs. The funds were expended and reimbursed on a quarterly basis; therefore, no funds were returned. We conclude that these charges were appropriate and reasonable.

DEPARTMENT OF ATTORNEY GENERAL
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

<u>Services and Other Charges to the Transportation Funds</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Returned</u>
State Aeronautics Fund			
Legal services	\$ 119,800	\$ 69,506	\$ 50,294
State Trunkline Fund			
Legal services	<u>2,452,900</u>	<u>1,637,097</u>	<u>815,803</u>
Total	<u>\$ 2,572,700</u>	<u>\$ 1,706,603</u>	<u>\$ 866,097</u>

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Department of Attorney General pursuant to Section 505, Act 271, P.A. 2000. The Department of Attorney General's charges of \$1,706,603 consisted of salary, retirement, and insurance costs of attorneys and staff assigned to work on legal issues related to the transportation funds. These positions provided legal services exclusively to transportation programs and were assigned to the Highway Negligence and the Transportation Divisions.

The charges shown in the table for the State Aeronautics Fund were allocated according to the percentage of time that the attorney or staff position worked on legal issues relating to that fund. Although the remaining charges were allocated based on the percentage of time that the attorney or staff position worked on legal transportation issues, it was billed based on where the transportation funds were appropriated rather than on the services provided to each transportation fund. As a result, the Michigan Department of Transportation reimbursed the Department of Attorney General \$82,304 from the State Trunkline Fund for services provided on behalf of the Comprehensive Transportation Fund (see Finding 1).

The Department of Attorney General also reported miscellaneous charges to the transportation funds of \$14,619 for State building occupancy costs and \$8,225 for travel costs not anticipated or covered in the contract.

DEPARTMENT OF NATURAL RESOURCES
AND MACKINAC ISLAND STATE PARK COMMISSION
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

Services and Other Charges to the Transportation Funds	Contract Amount	Expended	Returned
State Aeronautics Fund			
Airport maintenance - MISPC	\$ 35,000	\$ 35,000	\$ 0
State Trunkline Fund			
Maintenance services - MISPC	0 *	43,420	0
Transportation Related Trust Funds - Federal			
Land purchase	<u>1,298,657</u>	<u>1,298,657</u>	<u>0</u>
 Total	 <u><u>\$ 1,333,657</u></u>	 <u><u>\$ 1,377,077</u></u>	 <u><u>\$ 0</u></u>

* No dollar amount was specified in the contract.

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Department of Natural Resources (DNR) and the Mackinac Island State Park Commission (MISPC) pursuant to Section 505, Act 271, P.A. 2000.

DNR charged the Transportation Related Trust Funds \$400,000 for the purchase of a railroad right-of-way, \$380,000 for the purchase of nonmotorized trails, and \$518,657 for the surfacing of those trails as a part of a grant that the Michigan Department of Transportation receives from the federal government.

MISPC provides maintenance services for a State trunkline highway and the local airport. MISPC charged transportation funds \$78,420 for these services.

DEPARTMENT OF ENVIRONMENTAL QUALITY
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

<u>Services and Other Charges to the Transportation Funds</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Returned</u>
Michigan Transportation Fund			
Permits for transportation projects	\$ 855,500	\$ 855,500	\$ 0
State Aeronautics Fund			
Permits for transportation projects	40,000	11,004	28,996
Total	<u>\$ 895,500</u>	<u>\$ 866,504</u>	<u>\$ 28,996</u>

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Department of Environmental Quality (DEQ) pursuant to Section 505, Act 271, P.A. 2000. The DEQ Land and Water Management Division charged and received \$866,504 from the Michigan Department of Transportation (MDOT) to pay for the salaries, wages, and fringe benefits of 11 full-time equated employees who worked exclusively on reviewing environmental permits for transportation projects.

Although DEQ was not appropriated an interdepartmental grant from the State Aeronautics Fund, these charges were included in the contract and allowed by MDOT. MDOT reimbursed DEQ via expenditure credit for portions of full-time equated employees who worked on reviewing environmental permits for State Aeronautics Fund projects.

For the charges shown in the table, DEQ used a time-and-effort system for allocating the payroll costs to the Michigan Transportation Fund and the State Aeronautics Fund, which identified individuals and projects charged. We conclude that the charges and cost allocation methodology used were reasonable.

Unreported Miscellaneous Charges

DEQ charged the State Trunkline Fund for miscellaneous expenses of \$44,916 for services not anticipated or covered in the contract. These charges were for such items as renewal tank registrations, the annual payment to the Great Lakes Commission, and

annual water supply payments and testing fees. (See Finding 2 regarding detailed procedures for reporting charges to transportation funds.)

DEPARTMENT OF TREASURY
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

<u>Services and Other Charges to the Transportation Funds</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Returned</u>
Comprehensive Transportation Fund			
Investment services	\$ 4,900	\$ 4,900	\$ 0
State Aeronautics Fund			
Investment services*	2,900	2,900	0
Collection of aviation fuel taxes*	61,000	61,000	0
State Trunkline Fund			
Investment services	<u>32,200</u>	<u>32,200</u>	<u>0</u>
Total	<u>\$ 101,000</u>	<u>\$ 101,000</u>	<u>\$ 0</u>

* The contract provided a total of \$63,900 to be charged to the State Aeronautics Fund. No allocation within the fund between investment services and collection of aviation fuel taxes was provided.

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Department of Treasury pursuant to Section 505, Act 271, P.A. 2000. The Department of Treasury charged the transportation funds \$61,000 for collecting aviation fuel taxes revenue on behalf of the State Aeronautics Fund and \$40,000 for investment services conducted on behalf of the transportation funds.

The Department of Treasury collected \$6,706,000 of revenue on behalf of the State Aeronautics Fund for fiscal year 2000-01. The Department of Treasury's charges of \$61,000 were based on the proportionate share of collection costs of the State Aeronautics Fund revenue to total tax revenue. The Department of Treasury's charge of \$40,000 for investment services was based on the transportation funds' proportionate share of the Department of Treasury's cost of investing activities. The Department of Treasury conducts similar services for other State special revenue funds and the charge method used for the transportation funds was consistent with the method used for State special revenue funds. We conclude that the charges and the cost allocation methodology were reasonable and consistent with the prior year.

The Department of Treasury did not bill the Michigan Department of Transportation an estimated \$6,264,000 in transportation-related costs in fiscal year 2000-01 because the appropriations act provided only a limited amount of funding from the transportation funds. (See Finding 2 regarding the reporting of transportation-related costs that were not reimbursed by transportation funds.)

Unreported Miscellaneous Charges

The Department of Treasury charged the State Aeronautics Fund and the State Trunkline Fund for miscellaneous expenses of \$45,245 for services not anticipated or covered in the contract. These charges were for items such as mailing payroll warrants and printing manual warrants. (See Finding 2 regarding detailed procedures for reporting charges to transportation funds.)

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION
Annual Report of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

<u>Services and Other Charges to the Transportation Funds</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Returned</u>
State Trunkline Fund			
Welcome Center operations	\$ 0*	\$ 3,732,244	\$ 0
Total	<u>\$ 0</u>	<u>\$ 3,732,244</u>	<u>\$ 0</u>

* MEDC and MDOT personnel informed us that the fiscal year 2000-01 contract called for 12 monthly payments of \$306,080, totaling \$3,672,960. However, MEDC or MDOT could not provide us with a signed copy of the contract to verify the total contract amount.

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Michigan Economic Development Corporation (MEDC) pursuant to Section 505, Act 271, P.A. 2000. MEDC charged and received \$3,732,244 from the Michigan Department of Transportation (MDOT) to pay for daily operations of the Michigan Welcome Centers. Although MEDC was not appropriated an interdepartmental grant from the State Trunkline Fund, MDOT reimbursed MEDC for all costs incurred through the use of expenditure credits.

Unreported Miscellaneous Charges

MEDC charged the transportation funds for miscellaneous expenses of \$77,845 for services not anticipated or covered in the monthly payments, of which \$18,601 in charges were not included in the annual report. These charges were for maintenance services provided at the Welcome Centers. We reviewed a sample of these charges to the transportation funds and determined that they were appropriate.

OFFICE OF THE AUDITOR GENERAL
Annual Report of Transportation-Related Funds Used
Fiscal Year Ended September 30, 2001

<u>Services and Other Charges to the Transportation Funds</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Returned</u>
Comprehensive Transportation Fund			
Audit services	\$ 47,600	\$ 47,600	\$ 0
Michigan Transportation Fund			
Audit services	132,400	132,400	0
State Aeronautics Fund			
Audit services	31,100	15,900	15,200
State Trunkline Fund			
Audit services	<u>362,100</u>	<u>362,100</u>	<u>0</u>
Total	<u>\$ 573,200</u>	<u>\$ 558,000</u>	<u>\$ 15,200</u>

Appropriateness of Charges and Cost Allocation Methodology

The preceding table represents amounts reported by the Office of the Auditor General (OAG) pursuant to Section 505, Act 271, P.A. 2000. The OAG's charges of \$558,000 to the transportation funds consisted of salaries, fringe benefits, supplies, materials, and travel costs for conducting audits of transportation programs and funds.

The OAG maintains a time-and-effort reporting system to account for audits conducted. The time-and-effort reporting system is the basis for allocating costs by audit, program, and fund. The OAG bills the Michigan Department of Transportation (MDOT) for Michigan Transportation Fund and State Trunkline Fund audit-related costs based on a prior three-year average of actual audit hours multiplied by an estimated hourly audit cost rate. Audits related to the Comprehensive Transportation Fund and the State Aeronautics Fund are infrequent; therefore, the OAG bills MDOT for these audit-related costs based on an allocation of prior audit costs that are divided by the number of years between audits. Variances between actual costs and budgeted costs are factored into the OAG's future transportation-related funding budget requests. In fiscal year 2000-01, the OAG methodology calculated a rate of approximately \$70 per hour. We conclude that the charges and the cost allocation methodology were reasonable. However, the OAG did not bill MDOT an estimated \$97,172 in transportation-related audit costs for

fiscal year 2000-01 because the OAG did not seek reimbursement in excess of the appropriated amounts. (See Finding 2 regarding the reporting of transportation-related fund costs that were not reimbursed by transportation funds.)

MICHIGAN DEPARTMENT OF TRANSPORTATION

Michigan Transportation Fund Expenditures and Transfers Out to Other Transportation Funds

Michigan Department of Transportation (MDOT) expenditures and transfers to other transportation funds from the Michigan Transportation Fund (MTF) for fiscal year 2000-01 were:

Receiving Fund	Appropriations and Authorizations	Transfers Out	Returned	Lapsed
Comprehensive Transportation Fund:				
10% Comprehensive Transportation Purposes	\$ 159,573,000	\$ 159,197,092	\$	\$ 375,908
Railroad Safety and Tariffs Program	1,772,900	1,094,567	678,333	
State Trunkline Fund:				
39.1% State Trunkline Purposes	639,644,200	634,294,124		5,350,076
Critical Bridge Program	5,000,000	5,000,000		
Critical Bridge Debt Service	3,000,000	2,384,167	615,833	
Economic Development Fund (EDF)	36,775,000	36,775,000		
Targeted Industries (EDF)	3,500,000	3,500,000		
Debt Service	43,000,000	43,000,000		
Local Road Program	33,000,000	33,000,000		
Office of Information Management	34,500	7,416	27,084	
Rail Grade Crossing Program	3,000,000	3,000,000		
Executive Direction	35,900	35,900		
Bureau of Transportation Planning	5,755,200	4,555,555	1,199,645	
Highways for Engineering	3,950,000	3,015,027	934,973	
Bureau of Finance and Administration	1,086,400	1,086,400		
Total	<u>\$ 939,127,100</u>	<u>\$ 929,945,248</u>	<u>\$ 3,455,868</u>	<u>\$ 5,725,984</u>

Lapses in appropriations occurred because actual MTF revenues were less than expected, resulting in smaller distributions based on the MTF formula provided for in Section 247.660 of the *Michigan Compiled Laws* (Act 51, P.A. 1951, as amended). At the end of the year, programs returned unused MTF funds, which are subsequently redistributed through the MTF formula to the Comprehensive Transportation Fund, State Trunkline Fund, counties, cities, and villages.

Cost Allocation Methodology and Transportation Fund Charges

Comprehensive Transportation Fund:

10% Comprehensive Transportation Purposes

Section 247.660 of the *Michigan Compiled Laws* (Act 51, P.A. 1951, as amended) requires that up to 10% of the revenues deposited in the State Treasury to the credit of MTF be transferred to the Comprehensive Transportation Fund. The use of the funds is prioritized by statute. In fiscal year 2000-01, \$159,197,092 was paid to the Comprehensive Transportation Fund consistent with the statute.

Railroad Safety and Tariffs Program

To reimburse the Comprehensive Transportation Fund for the MTF's share of the costs of the administration of Transportation Safety and Tariffs Program, Bureau of Urban and Public Transportation, \$1,094,567 was paid.

State Trunkline Fund:

39.1% State Trunkline Purposes

Section 247.660 of the *Michigan Compiled Laws* (Act 51, P.A. 1951, as amended) requires that, after up to 10% of MTF revenues have been credited to the Comprehensive Transportation Fund and several other statutorily required distributions, 39.1% of the remaining funds must be distributed to the State Trunkline Fund for State trunkline purposes.

Critical Bridge Program

Section 247.661b of the *Michigan Compiled Laws* (Act 51, P.A. 1951, as amended) requires the annual transfer of \$5,000,000 to the Critical Bridge Program from MTF. The money appropriated and interest accruing to MTF is administered by MDOT according to promulgated rules. The Program provides financial assistance to local and county road commissions for the improvement or reconstruction of existing bridges or for the construction of replacement bridges. In fiscal year 2000-01, \$5,000,000 was appropriated to the Critical Bridge Program.

Critical Bridge Debt Service

Section 247.660(b) of the *Michigan Compiled Laws* (Act 51, P.A. 1951, as amended) requires the annual transfer from MTF of not less than \$3,000,000 to the Critical Bridge Fund for the payment of principal and interest on and redemption of any notes or bonds issued by the State Transportation Commission under Section 247.661b. In fiscal year 2000-01, \$3,000,000 was appropriated, but MDOT paid the debt service requirement of \$2,384,167 and returned \$615,833.

Economic Development Fund and Targeted Industries

Section 247.660 of the *Michigan Compiled Laws* (Act 51, P.A. 1951, as amended) requires the payment of \$36,775,000 to the State Trunkline Fund for subsequent deposit in MDOT's Economic Development Fund. In fiscal year 2000-01, the full amount was paid consistent with the statute.

In addition, this section requires, beginning October 1, 1997, that \$3,500,000 be appropriated from MTF to the State Trunkline Fund for subsequent deposit in MDOT's Economic Development Fund, to be used for economic development road projects in any of the following targeted industries: agriculture or food processing, tourism, forestry, high technology research, manufacturing, mining, and office centers of not less than 50,000 square feet. In fiscal year 2000-01, the full amount was paid consistent with the statute.

Debt Service

Section 247.660 of the *Michigan Compiled Laws* (Act 51, P.A. 1951, as amended) requires the payment of \$43,000,000 to the State Trunkline Fund for debt service costs on State of Michigan projects. In fiscal year 2000-01, the full amount was paid consistent with the statute.

Local Road Program

Section 247.660 of the *Michigan Compiled Laws* (Act 51, P.A. 1951, as amended) requires that, beginning October 1, 1995, a grant of not less than \$33,000,000 be made to the State Trunkline Fund, which shall then be made to the Local Road Program. These funds received shall then be distributed 64.2% to county road commissions and 35.8% to cities and villages. In fiscal year 2000-01, the full amount was paid consistent with the statute.

Office of Information Management

To cover MTF's share of computer equipment/software costs, \$34,500 was appropriated and \$7,416 was paid to the State Trunkline Fund. MDOT returned \$27,084.

Rail Grade Crossing Program

Section 247.660 of the *Michigan Compiled Laws* (Act 51, P.A. 1951, as amended) provides that not more than \$3,000,000 shall be appropriated for improvements in rail grade crossings. Accordingly, \$3,000,000 was appropriated from MTF and paid to the State Trunkline Fund.

Executive Direction

To cover MTF's share of workers' disability compensation costs, \$35,900 was appropriated and paid to the State Trunkline Fund.

Bureau of Transportation Planning

To reimburse the State Trunkline Fund for MTF's share in the costs of the Bureau of Transportation Planning, \$5,755,200 was appropriated and \$4,555,555 was paid. MDOT returned \$1,199,645.

Highways for Engineering

To reimburse the State Trunkline Fund for the full cost of local contracts and project management of the Engineering Services Division, Bureau of Highways, \$3,950,000 was appropriated and \$3,015,027 was paid. MDOT returned \$934,973.

Bureau of Finance and Administration

To reimburse the State Trunkline Fund for MTF's share in the costs of the Bureau of Finance and Administration, \$1,086,400 was appropriated and paid.

State Trunkline Fund Charges to the Comprehensive Transportation and State Aeronautics Funds

State Trunkline Fund charges to the Comprehensive Transportation Fund were as follows:

Fund/Purpose	Appropriated Funding	Allocated Charges	Returned Appropriations	Overallocated (Underallocated) Charges
Comprehensive Transportation Fund:				
Administration and Data Center	\$ 1,167,600	\$ 1,097,726*	\$ 68,289	\$ 0
Planning	1,890,300	787,999	1,102,301	0
Total	\$ 3,057,900	\$ 1,885,725	\$ 1,170,590	\$ 0

* Amount does not include recorded encumbrances of \$1,585 that were expended in a subsequent fiscal year.

State Trunkline Fund charges to the State Aeronautics Fund were as follows:

Fund/Purpose	Appropriated Funding	Allocated Charges	Returned Appropriations	Overallocated (Underallocated) Charges
State Aeronautics Fund:				
Administration and Data Center	\$ 678,300	\$ 633,680*	\$ 33,358	\$ 0
Planning	300,500	189,967	110,533	0
Total	<u>\$ 978,800</u>	<u>\$ 823,647</u>	<u>\$ 143,891</u>	<u>\$ 0</u>

* Amount does not include recorded encumbrances of \$11,657 that were expended in a subsequent fiscal year.

Cost Allocation Methodology and Transportation Fund Charges

The administrative and data center charges and the planning charges consisted of the Comprehensive Transportation and State Aeronautics Funds' allocated portion of these costs to the State Trunkline Fund. We determined that these costs were appropriate.

Our performance audit report entitled "Services Provided to Local Road Agencies" (59-132-01), issued in November 2001, indicated that MDOT had not completed a cost allocation study that identifies all costs associated with activities directed at local units of government and identifies methods for the equitable allocation of all costs to the local units of government and the State Trunkline Fund. This report is available upon request or from our Web site at <<http://www.state.mi.us/audgen>> and affects the Office of Information Management, Executive Direction, Bureau of Transportation Planning, Highways for Engineering, and Bureau of Finance and Administration line items.

TRANSPORTATION FUNDS
Summary of Annual Reports of Transportation-Related Funding Used
Fiscal Year Ended September 30, 2001

Receiving Agency	Charges Paid By					Agency Total
	Comprehensive Transportation Fund	Michigan Transportation Fund	State Aeronautics Fund	State Trunkline Fund	Transportation Related Trust Funds	
Department of State	\$	\$ 49,116,774	\$	\$	\$	\$ 49,116,774
Department of Management and Budget	135,600	226,900	71,500	7,151,156		7,585,156
Michigan Department of State Police				5,880,095		5,880,095
Department of Civil Service	81,187		43,916	1,865,387		1,990,490
Michigan Department of Career Development	1,764,643					1,764,643
Department of Attorney General			69,506	1,637,097		1,706,603
Department of Natural Resources and Mackinac Island State Park Commission			35,000	43,420	1,298,657	1,377,077
Department of Environmental Quality		855,500	11,004			866,504
Department of Treasury	4,900		63,900	32,200		101,000
Michigan Economic Development Corporation				3,732,244		3,732,244
Office of the Auditor General	47,600	132,400	15,900	362,100		558,000
Total for Nontransportation Agencies	<u>\$ 2,033,930</u>	<u>\$ 50,331,574</u>	<u>\$ 310,726</u>	<u>\$ 20,703,699</u>	<u>\$ 1,298,657</u>	<u>\$ 74,678,586</u>

TRANSPORTATION FUNDS
Summary of Charges and Transfers Among Transportation Funds
Fiscal Year Ended September 30, 2001

Receiving Agency	Transfers From				Agency Total
	Comprehensive Transportation Fund	Michigan Transportation Fund	State Aeronautics Fund	State Trunkline Fund	
Michigan Department of Transportation:					
Comprehensive Transportation Fund:					
10% Comprehensive Transportation Purposes	\$	\$ 159,197,092	\$	\$	\$ 159,197,092
Railroad Safety and Tariffs Program		1,094,567			1,094,567
State Trunkline Fund:					
39.1% State Trunkline Purposes		634,294,124			634,294,124
Critical Bridge Program		5,000,000			5,000,000
Critical Bridge Debt Service		2,384,167			2,384,167
Economic Development Fund (EDF)		36,775,000			36,775,000
Targeted Industries (EDF)		3,500,000			3,500,000
Debt Service		43,000,000			43,000,000
Local Road Program		33,000,000			33,000,000
Office of Information Management		7,416			7,416
Rail Grade Crossing Program		3,000,000			3,000,000
Executive Direction		35,900			35,900
Bureau of Transportation Planning		4,555,555			4,555,555
Highways for Engineering		3,015,027			3,015,027
Bureau of Finance and Administration		1,086,400			1,086,400
Administration and Data Center	1,097,726		633,680		1,731,407
Planning	787,999		189,967		977,966
Total for Michigan Department of Transportation	\$ 1,885,725	\$ 929,945,248	\$ 823,647	\$ 0	\$ 932,654,621

Glossary of Acronyms and Terms

CJIC	Criminal Justice Information Center.
DCS	Department of Civil Service.
DEQ	Department of Environmental Quality.
DMB	Department of Management and Budget.
DNR	Department of Natural Resources.
financial related audit	An audit that is designed to provide reasonable assurance that (1) financial information is presented in accordance with established or stated criteria, (2) the entity has adhered to specific financial compliance requirements, or (3) the entity's internal control over financial reporting is suitably designed and implemented to achieve the control objectives.
MAIN	Michigan Administrative Information Network.
MDOT	Michigan Department of Transportation.
MDCD	Michigan Department of Career Development.
MEDC	Michigan Economic Development Corporation.
MISPC	Mackinac Island State Park Commission.
MSP	Michigan Department of State Police.
MTF	Michigan Transportation Fund.
OAG	Office of the Auditor General.

reportable condition

A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements.

**Statewide Cost
Allocation Plan
(SWCAP)**

The official cost allocation methodology accepted by federal grantor agencies for the State's negotiated indirect cost rate.